

State of Alaska FY2009 Governor's Operating Budget

Department of Transportation/Public Facilities Regional Support Services Results Delivery Unit Budget Summary

Regional Support Services Results Delivery Unit

Contribution to Department's Mission

Provide a variety of administrative support services for the Department's regional operations.

Core Services

- The Regional Directors' offices provide management oversight of all functions of the organization and act as liaison between divisions and between the department and other agencies and the public.
- The support service offices provide management support and budget coordination to all operating divisions in each region, with additional support provided to headquarters and statewide divisions and the International Airports.
- The procurement offices are responsible for the purchase and delivery of supplies, equipment and services as well as property control.

End Result	Strategies to Achieve End Result
A: Increase cost efficiency of the department. <u>Target #1:</u> Reduce the ratio of administrative overhead to total department costs by 3%. <u>Measure #1:</u> Ratio of total administrative overhead funding as compared to total department costs. <u>Target #2:</u> Increase to 80% the respondents (customers) that rate the section's service at 4 or above on a scale of 1 to 5. <u>Measure #2:</u> Percent of respondents (customers) rating the section's service at 4 or above on a scale of 1 to 5 in the areas that Support Services has purview over: budget, procurement, etc.	A1: Improve procurement processing. <u>Target #1:</u> Reduce procurement processing time by 10%. <u>Measure #1:</u> Percent change in time from receipt of request to issuance of order compared to prior year. <u>Target #2:</u> No major procurement violations. <u>Measure #2:</u> The number of procurement violations compared to prior year.

Major Activities to Advance Strategies

- Expand use of credit card purchases to reduce the number of small procurement requests.
- Analyze activities to determine if there is a better way of doing business.
- Create on-line stock requests and better define the item or service requested on the stock request.

FY2009 Resources Allocated to Achieve Results

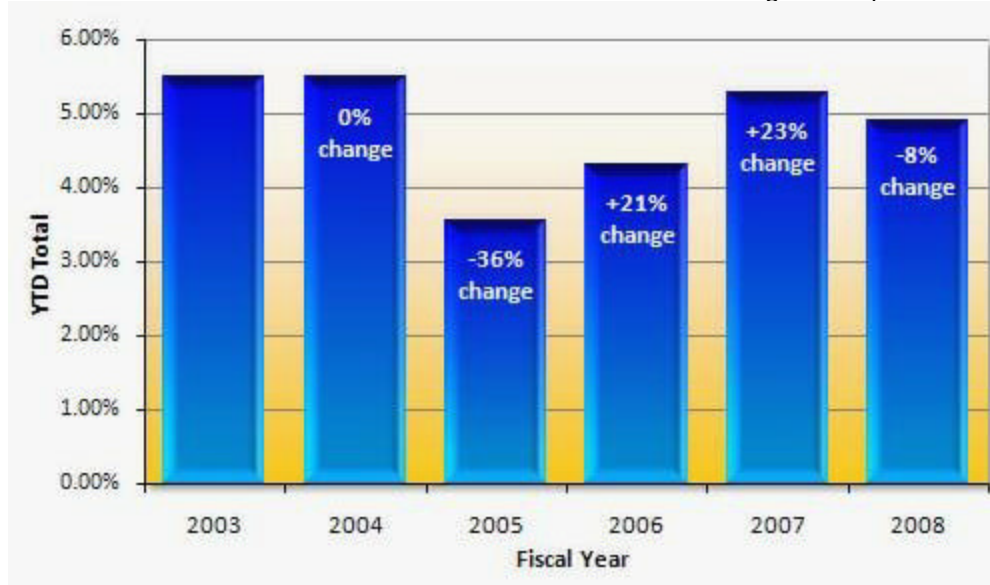
FY2009 Results Delivery Unit Budget: \$3,182,300	Personnel:	
	Full time	35
	Part time	3
	Total	38

Performance Measure Detail

A: Result - Increase cost efficiency of the department.

Target #1: Reduce the ratio of administrative overhead to total department costs by 3%.

Measure #1: Ratio of total administrative overhead funding as compared to total department costs.



Analysis of results and challenges: The department annually prepares an Indirect Cost Allocation Plan (ICAP) according to state and federal guidelines, which is reviewed by internal auditors and approved by the Federal Highway Administration (FHWA). The ICAP develops a rate at which overhead and administrative costs are distributed to projects. These rates are developed by accumulating indirect costs into cost pools, and then dividing the total indirect costs allocated to the pool by total direct project costs. ICAP rates calculated for FY08 vary between 1% for harbor projects to 4.88% for highway projects. The federal highway project rate is used for year to year comparisons. FY08 rates are developed based on FY06 actual expenditure data.

The FY07 rate increased because construction activity decreased in the Federal Highway funded capital project program and employee benefit costs increased. Also, the 2007 plan year was impacted by the conversion of the Statewide Materials cost allocation plan to indirect, which shifted costs from direct to indirect. The 2008 reduced rate reflects a slight increase in the Federal Highway funded capital projects program.

General administrative activities contained in the indirect costs include such functions as payment processing, supervising employees, program oversight, budget development, liaison with the Legislature, etc. These are necessary functions of the department whether DOT&PF has direct oversight of a project or it is contracted. Typically project oversight is charged directly to a project and is not included in indirect costs.

The department will continue to review methods of reducing overhead costs. Developing technological solutions to cumbersome paper processes and eliminating unnecessary tasks are examples of how overhead costs can be reduced. Such a reduction will increase the amount of federal funds available for road and airport construction.

Target #2: Increase to 80% the respondents (customers) that rate the section's service at 4 or above on a scale of 1 to 5.

Measure #2: Percent of respondents (customers) rating the section's service at 4 or above on a scale of 1 to 5 in the areas that Support Services has purview over: budget, procurement, etc.

Customer Satisfaction Rating

Year	YTD
2007	not available

Analysis of results and challenges: This measure will require the division to develop and circulate a survey to help determine whether our internal customers' expectations are being met in the areas of procurement, budget development and monitoring. Survey responses will provide managers feedback that may identify problem areas, which if addressed may improve the efficiency of the department. We anticipate the survey will be done annually.

A1: Strategy - Improve procurement processing.

Target #1: Reduce procurement processing time by 10%.

Measure #1: Percent change in time from receipt of request to issuance of order compared to prior year.

Average Days Taken to Process Purchase Requests

Year	Central Region	Northern Region	Southeast Region	Department-wide
FY 2002	not available	not available	not available	6.1
FY 2003	not available	not available	not available	9.8
FY 2004	4.5	3.7	4.5	4.25
FY 2005	4.0	3.6	4.8	not available
FY 2006	4.0	3.8	5.0	not available
FY 2007	0.51	1.82	1.25	1.29

Results are reported on a state fiscal year basis.

FY2006 Southeast Region data identifies only Pilot Program procurements processed through the contractor ASCI.

FY2007 results were calculated using only data since the transition to BuySpeed Online.

Analysis of results and challenges: The 2007 changes appear to be a direct result of the installation of a web based e-procurement system in all 3 regions of DOT/PF. The e-procurement system is called BuySpeed Online. Requisitions are now submitted electronically which allows procurement staff the ability to respond many times faster to completed and approved Requisitions. As such, it may now be appropriate to measure procurement response time in hours instead of days

The amount of time it takes procurement to process a procurement varies due to the complexity associated with the dollar limits of various procurements. Generally the majority of procurements fall in the range of \$5,000 or less requiring Reasonable and Adequate competition. This area accounts for the greatest decrease in time to process.

"Reasonable and adequate" competition is required for each expenditure valued at \$5,000 or less and involves contacting only one potential vendor in appropriate circumstances. At least 3 verbal quotations or proposals are required between \$5,000 and \$25,000; but are often required to be submitted in writing for purposes of clarity and conformance to specifications or scope of services. The Request for Quotation (RFQ) process or Informal Request for Proposals (IRFP) is required for expenditures valued at \$25,000 to \$50,000 and also requires issuance of the State's Standard Terms and Conditions or General Provisions and written responses from vendors. The formal Invitation to Bid (ITB) or Request for Proposals (RFP) process is required at \$50,000 and above, which involves formulating specifications, advertising on the Online Public Notice (OPN), allowing 21 days for solicitation, receiving sealed bids or proposals and providing a ten-day protest period prior to award of a contract.

Construction related procurement processes are more complex and require additional time for processing. Most construction procurements are federally funded which require staff to be knowledgeable of federal regulations.

The BuySpeed purchasing and inventory web based procurement software was implemented statewide in February 2007 to produce greater efficiencies in the contracting, procurement and warehouse environments in the Southeast, Central and Northern Regions. Further efficiencies will be obtained by increasing the number of Stock Requests that are submitted and approved online, monitoring problem orders, and addressing individual issues timely.

Target #2: No major procurement violations.

Measure #2: The number of procurement violations compared to prior year.

Number of Procurement Violations

Year	YTD violations	Change from prior year
2002	4	not available
2003	3	-1
2004	0	-3
2005	0	0
2006	1	+1
2007	0	-1

Analysis of results and challenges: When potential violations are identified, the department investigates and reports them to the Department of Administration, Division of General Services. Recommendations on necessary action to resolve the issue are also provided. Efforts to avoid future violations will include increased emphasis on training procurement and non-procurement staff on state purchasing requirements, and to assure quick distribution of new or revised procurement directives. Concentration on staff training encourages professionalism and accountability, and assures competent individuals are conducting all procurement activities. When potential violations are identified, the department investigates and reports them to the Department of Administration, Division of General Services. Recommendations on necessary action to resolve the issues are also provided. Efforts to avoid future violations will include increased emphasis on training procurement and non-procurement staff on state purchasing requirements, and to assure quick distribution of new or revised procurement directives. Concentration on staff training encourages professionalism and accountability, and assures competent individuals are conducting all procurement activities.

Key RDU Challenges

- Streamlining the department's procurement process is essential so that goods and services continue to be provided in a timely and efficient manner in accordance with all state and federal guidelines. Through the use of the department's automated procurement system, BuySpeed, we are able to improve information gathering and reporting. The department is implementing a new BuySpeed web-based procurement system that will allow end users to submit purchase requests online. The system will also allow online approvals, financial coding, solicitation, receiving and record keeping.
- Increased use of technology is being aggressively pursued to enhance efficiency in order to accommodate growth in the department's construction and maintenance efforts with no commensurate increase in funding for support functions.

Significant Changes in Results to be Delivered in FY2009

No significant changes are anticipated.

Major RDU Accomplishments in 2007

Implemented BuySpeed Online and trained regions on its use.

Provided training to Regional department employees at least twice a year on property management and procurement processes. This training continues to increase efficiency and improve service to customers.

Contact Information
<p>Contact: Nancy J. Slagle, Director, Division of Administrative Services Phone: (907) 465-3911 Fax: (907) 465-3124 E-mail: Nancy.Slagle@alaska.gov</p>

Regional Support Services RDU Financial Summary by Component

All dollars shown in thousands

	FY2007 Actuals				FY2008 Management Plan				FY2009 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
None.												
<u>Non-Formula</u>												
<u>Expenditures</u>												
Central Support Svcs	563.2	0.0	300.1	863.3	564.3	0.0	365.8	930.1	665.7	0.0	323.3	989.0
Northern Support Services	684.6	0.0	536.0	1,220.6	694.0	0.0	591.3	1,285.3	971.4	0.0	366.4	1,337.8
Southeast Support Services	267.3	0.0	447.2	714.5	244.2	0.0	585.4	829.6	312.5	0.0	543.0	855.5
Totals	1,515.1	0.0	1,283.3	2,798.4	1,502.5	0.0	1,542.5	3,045.0	1,949.6	0.0	1,232.7	3,182.3

**Regional Support Services
Summary of RDU Budget Changes by Component
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	1,502.5	0.0	1,542.5	3,045.0
Adjustments which will continue current level of service:				
-Central Support Svcs	101.4	0.0	-42.5	58.9
-Northern Support Services	277.4	0.0	-224.9	52.5
-Southeast Support Services	68.3	0.0	-42.4	25.9
FY2009 Governor	1,949.6	0.0	1,232.7	3,182.3